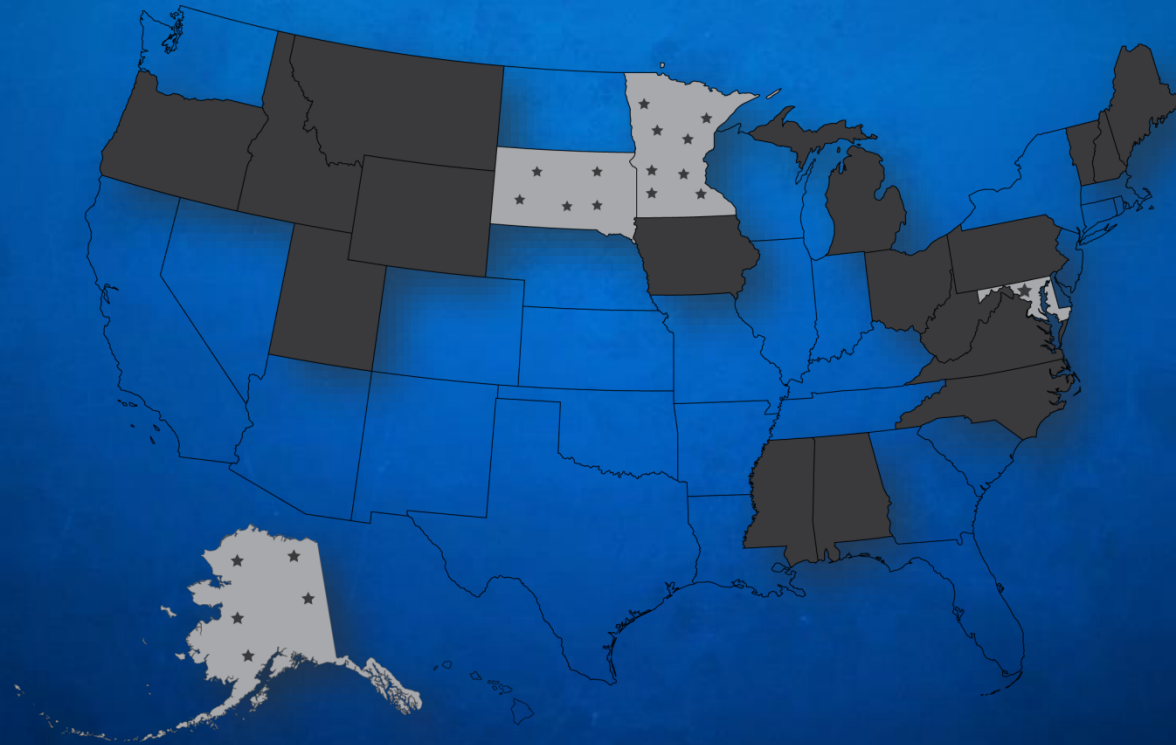


2017 Alcohol Education Summit

The Control Systems and Its Benefits

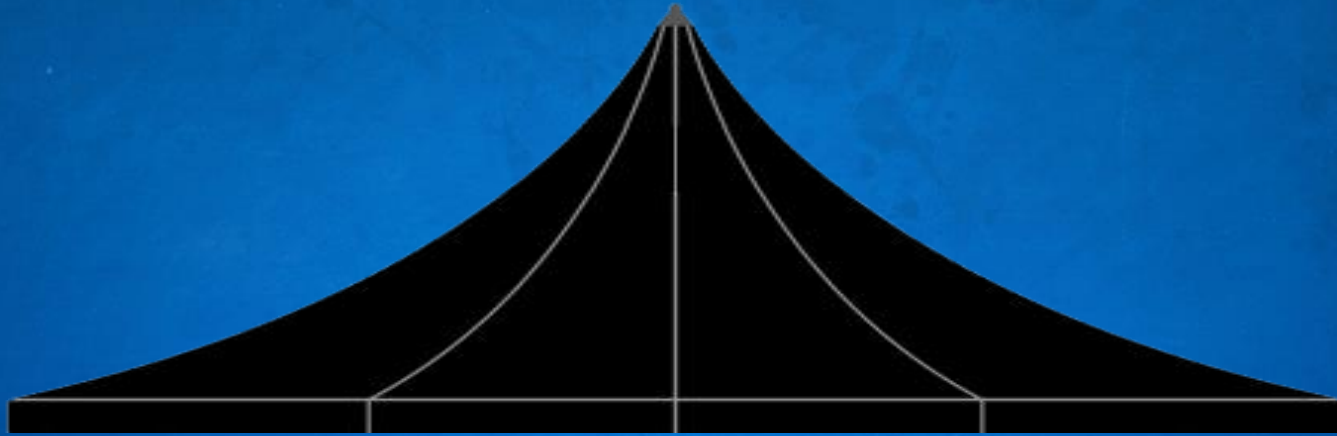


NABCA

About NABCA

- Founded in 1938, NABCA is the national association representing the Control State Systems - those jurisdictions that directly control the distribution and sale of beverage alcohol within their borders.
- NABCA's mission is to support member jurisdictions in their efforts to protect public health and safety and ensure responsible and efficient systems for beverage alcohol distribution and sales.

Membership



“THE BIG TENT”

Government Officials / Enforcement

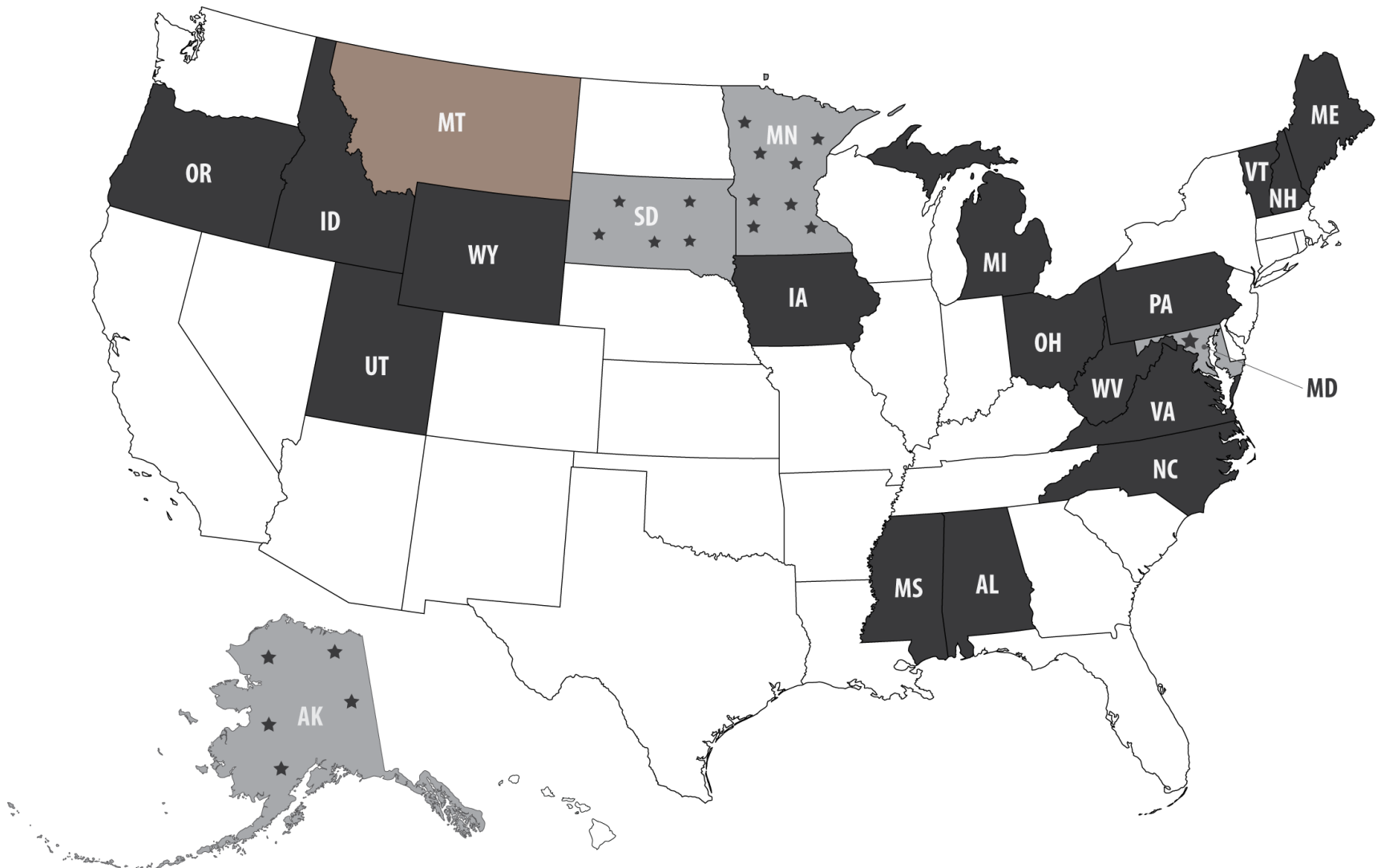
Public Health / All Sectors & Tiers of Alcohol Industry

Others Interested in Alcohol Issues / International

What We Are Not...

- We are **NOT** an advocacy or lobbying organization
- We are **NOT** a beverage alcohol industry organization

The Control Jurisdictions





Control Systems Across the World

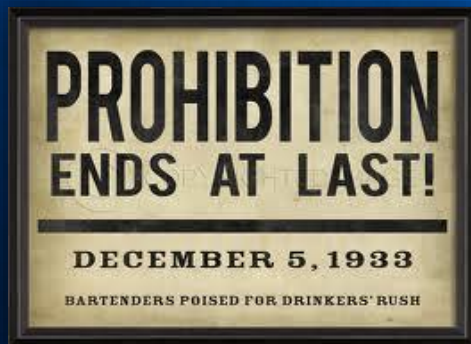
*Many, but not all states are control.

- Azerbaijan
- Bosnia and Herzegovina
- Cambodia
- **Canada**
- Cape Verde
- Columbia
- Costa Rica
- Egypt
- El Salvador
- Ethiopia
- French Polynesia
- Finland
- Gambia
- Iceland
- *India
- Kyrgyzstan
- Lao PDR
- Lithuania
- Luxembourg
- Malawi
- Maritius
- Micronesia (Fed. St.)
- Mongolia
- Montserrat
- Norway
- Romania
- Seychelles
- Slovakia
- Sweden
- Switzerland
- TFYR Macedonia
- Turkey
- Turkmenistan

Historical Perspective – The Why



- The 18th Amendment established Prohibition in the U.S. in 1920.
- In 1933, the 21st Amendment repealed the 18th Amendment and ended Prohibition.
- Regulation of beverage alcohol sales and distribution granted to the states. All states have some form of regulation.



Pre-prohibition Abuses

- Saloons as havens for crime and debauchery
- Tied-house saloons
- Unfettered Access
- Inefficient tax collection
- Severe Public Health and Safety Problems



RAYMOND B. FOSDICK AND ALBERT L. SCOTT

TOWARD LIQUOR CONTROL



How many jurisdictions have
beverage alcohol **“control”**?

Some clues...

KY - Home of the American Spirit, Bourbon. Wine and liquor not in grocery or C-Stores.

CT - Wine and liquor not in grocery stores. Sunday sales just approved.

CO, OK & KS - 3.2 beer only available in grocery and C-Store. (until 2019)

IN & TX - No Sunday Sales

FL - No liquor in grocery or C-Stores.

DE & AL - No liquor grocery or C-Stores.

These are all **license** jurisdictions.

Answer: 51

THE POINT:

Government in every jurisdiction controls beverage alcohol in some form or fashion.

WHY?

Because beverage alcohol is **NOT** like any other product.

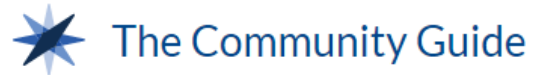
Today's (and yesterday's) Systems...

- **Motivating Factors – “The Value”**
 - Protect public health and safety
 - Ensure efficient tax/revenue collections
 - Eliminate unfair or illegal marketing policies
 - Balance interests

PROTECT PUBLIC HEALTH AND SAFETY

What does the science say?

- The Community Preventive Services Task Force
- World Health Organization
- Numerous Peer Reviewed Published Studies around the world



THE COMMUNITY GUIDE REVIEW



Center for Surveillance, Epidemiology, and Laboratory Services (CSELS)

Community Guide Process

- Convened by CDC
- Systematic reviews of scientific literature
- Coord. Scientist, Researchers, Coordination Team
- Findings presented to independent, non-federal body (Preventive Services Task Force) that reviews evidence, makes public health recommendations

Task Force Rationale

Looked at 21 studies and found...

- Consumption of privatized products increased
- No effect on non-privatized beverages
- When per capita consumption changes – it changes across the board, mostly among excessive drinkers
- According to well established science, substantial per capita increases in consumption will be joined by substantial increases in excessive consumption

Intermediate Effects of Privatization

Privatization associated with:

- Greater off-premises outlet density**
- Increased days and hours of sale**
- More advertising**
- Greater brand selection**

- Reduced adherence to sales regulations**
- Alternate forms of payment (e.g., credit card)**
- Higher average price(?)
- Greater number of low-priced products(?)**

**** Expected to lead to increased consumption**

Task Force Recommendation

The Community Preventive Services Task Force

recommends against the further privatization of alcohol sales in settings with current government control of retail sales, based on strong evidence that privatization results in increased per capita alcohol consumption, a well-established proxy for excessive consumption.

REVENUE AND TAX COLLECTION

State Revenues per Capita and per Ethanol gallon from Distilled Spirits for 2014

Jurisdiction	Revenue Per Capita	Revenue Per Ethanol Gallon
Control States	\$37.06	\$50.76
License States	\$14.38	\$16.39
Montana	\$43.16	\$48.31

Source: 2014 State Revenues report by the
Alcohol Research Group-Public Health Institute, Emeryville, CA

ELIMINATE ILLEGAL AND UNFAIR TRADE PRACTICES



TTB Alcohol and Tobacco
Tax and Trade Bureau
U.S. Department of the Treasury

TTB and Florida Authorities Conduct Joint Trade Practice Investigations



N.J. craft beer wholesaler fined \$2M over trade practices, state says



Department of the Treasury

Alcohol and Tobacco Tax and Trade Bureau



Press Release

TTB Accepts \$750,000 from Craft Beer Guild, LLC to Settle Trade Practice Violations



NABCA

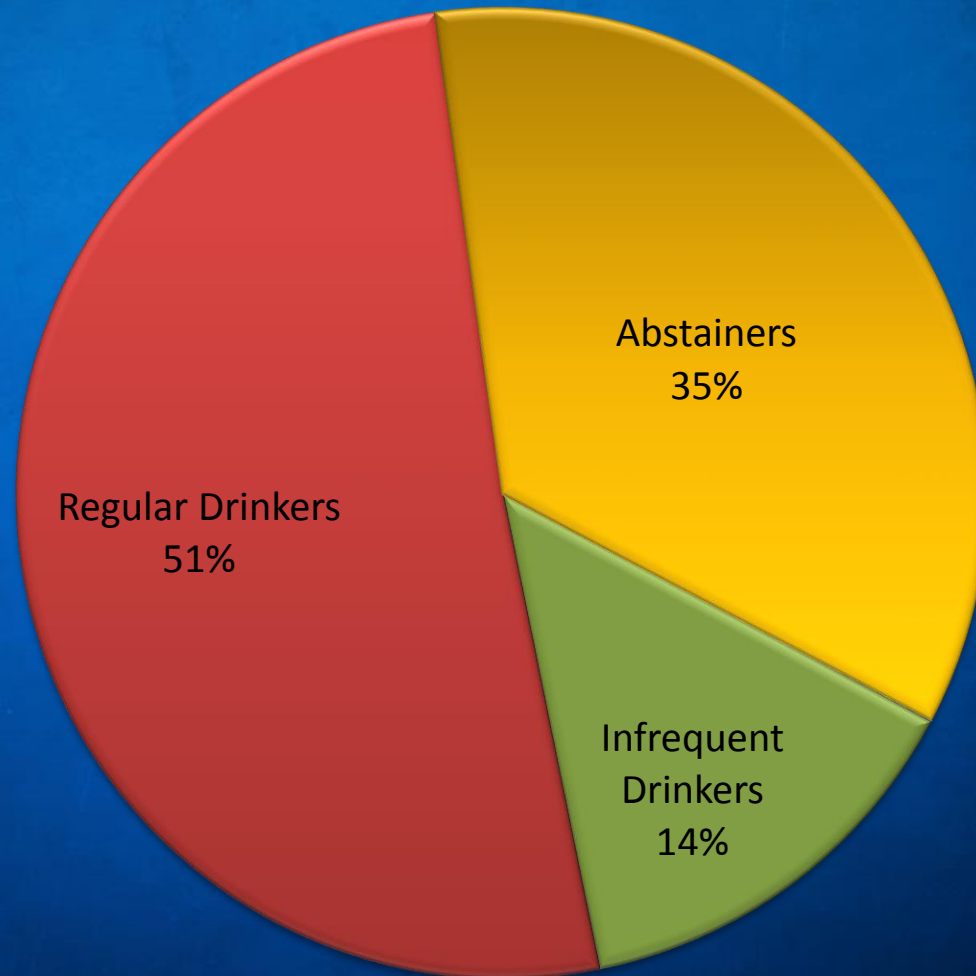
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Balance Interests

Remember All Citizens, Not Just Consumers

Source:

Health Statistics for
US Adults: National
Health Interview
Survey 2010



However, there are pressures to deregulate...why?

- Big Box, Chain and Grocer business models
- Helping local/craft producers
- Fiscal Distress – State and Local
- Consumer Focus and Perceptions
- Dissatisfaction with Government/Ideology
- Alcohol Abuse Apathy

What Does Deregulation Look and Sound Like?

“Treat us like adults”

“These restrictions are Neo-prohibitionist”

“These laws are archaic and antiquated”

“These laws are anti-competitive or serve no purpose”

What Does Deregulation Look and Sound Like? (continued)

- Privatization
- Reduced Funding
- Reduced Human Resources
- Modernization
- Economic or Hospitality Development



WASHINGTON STATE: A CASE STUDY FOR DEREGULATION

What Happened In Washington

- Initiative funded primarily by Costco – \$22M in 2011, \$10M in 2010
- Had failed in courts and legislature previously
- First initiatives in 2010 failed
- 2011 – Initiative 1183 passes with nearly 57% of the vote

What Happened In Washington

(continued)

- Full implementation as of June 1, 2012
- First control state to become entirely privatized
- More importantly – the most sweeping deregulation of a state's alcohol laws since prohibition.

Research

- **Oregon Public Health Institute** – Funded by the Robert Wood Johnson Foundation
- **Alcohol Research Group** – Funded by the National Institute for Alcoholism and Alcohol Abuse (NIAAA)
- **Pam Erickson** – Expert on alcohol regulation and former regulator from Oregon – Public Action Management

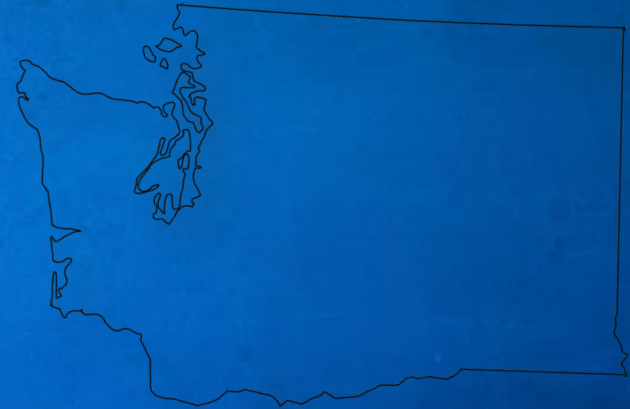
Commercial Impact

- **Prices** - Higher
- **Outlets for Spirits** – 337 to over 1400
- Significant **cross border sales** into Oregon and Idaho
- **Revenue** – Initially higher, long range not so sure
- **Small retailers** – Being pushed out
- **Local and Small brands** – Losing shelf space



Public Health & Safety Impact

- **Retail theft** – Significantly higher
- **Public Health** – ER visits up, other data being collected
- **Underage Drinking** – Rates of drinking not increased but acceptance of underage drinking has increased
- **Impaired Driving** – Single nighttime crashes and youth crashes increasing



Washington Regrets Vote to End Monopoly

“Our study not only shows that many people changed their minds about privatization, but more importantly, those who now say they wish they had voted no might have been a large enough group to defeat the measure in 2011, had they known its real impact at the time,”

“We also found that the people who changed their minds appeared to be more concerned with the increase in the number of liquor stores available after the vote than they were about alcohol abuse among youth or the fact that alcohol now costs more,”

Meenakshi Sabina Subbaraman, Ph.D

Alcohol Research Group, Lead Author

Value of Control Systems

- Protect public health and safety
- Ensure efficient tax/revenue collections
- Eliminate unfair or illegal marketing policies
- Balance interests

Final Thoughts...



Alcohol is a unique commodity

Unintended consequences with deregulation

Urge policy makers to review published peer-reviewed research before making changes



Thank You.

STEVE SCHMIDT

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NABCA